Prof. Nihat Bülent Gültekin July 2010

Private Equity Workshop – Tenth Annual Private Equity Conference at the Federal Reserve Bank of Chicago

International Private Equity: Middle East North Africa Region

Juice Co. Case Study

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It was a typical hot summer morning in Riyadh with clear skies, when Ammar Alkhudairy, CEO, Fadi Arbid, Executive Vice President and Saudi Country Head, Tariq Al-Sudairy, Senior Vice President, and Assaad Karam, Vice President, convened in the glass conference room to discuss the strategy of Juice Co. The company presented Amwal with an excellent entry into the rapidly growing Saudi and larger Gulf Co-operation Council (GCC) juice market. With several appealing deals in the pipeline and the fund almost fully deployed, Ammar wanted to ensure that the terms of the deal were as attractive as the industry itself.

Amwal strongly believes that the first source of value in any transaction lies in low entry valuation (figure 1). Value investing is simply a cornerstone of the Firm's investment strategy, which maintains a highly disciplined approach to deal pricing. Many investors in the region were forced to engage in competitive bidding and accept high valuations in the rush to deploy funds, but Amwal wanted to maintain its disciplined low entry valuation by focusing on unlocking future value for its portfolio companies.

Tadawul, the Saudi stock market, was trading at buoyant levels and sellers' valuation expectations were exaggerated given the high valuations competitors were willing to pay to penetrate the attractive industries of the Saudi market, the largest market in the GCC. The owner of Juice Co. was clearly expecting a higher valuation for the minority stake he was looking to sell than what Amwal intended to pay. Ammar and his team had to devise a strategy that anchored the seller's price closer to Amwal's valuation range. How would Amwal be able to convince Juice Co. owners to sell at a much lower valuation then what they had in mind? What type of transaction structure should Amwal use for this deal to bridge this valuation gap? What other non-financial considerations did the Amwal team have to be mindful of? Faced with a challenging prospect, it was time for Ammar and his team to demonstrate their art of deal making in the heart of the Middle-East.

PE in Saudi Arabia

Saudi Arabia is the eight hundred pound guerilla in the Gulf Co-operation Council (GCC). Supported by a young (circa 70% below the age of 30) and growing population (+2.5% CAGR ever since 2005), strong government spending driven by oil windfalls, and ambitious economic reforms (Saudi's 2009 ranking was 13th in the World Bank's Ease of Doing Business survey, up from 27th in 2007 and ahead of countries such as Germany, France, Sweden, South Africa, and Turkey), the country generates about 50% of the region's GDP. Real GDP grew by an annual rate of 4.3% from 2003-2008 according to Global Insight (figure 2).

Within these favorable economic conditions lay the foundations for a ripe environment for private investments. However, PE has made few inroads in Saudi Arabia, due to the limited understanding of local intricacies and cultural aspects that govern business interactions. PE in 2007 made up just 0.12% of GDP in Saudi as opposed to 2% in the UK, 0.9% in India, and 0.5% in China according to Booz & Co.

The Saudi private sector is 95% owned by family businesses. Fadi points out that "the Saudi Arabian private equity market is the hardest shell to crack but has the greatest potential in the Middle East." Issues such as interpersonal relationships, the key to sourcing deals, take months if not years to build before a trusting working relationship is established. Furthermore, similar to a Saudi marriage where emphasis is more on the family's communion, PE firms need not to only build a relationship with a member of the family but fully understand the dynamics of the family.

Therefore, a PE firm with an indigenous team and local presence is vital for success. Actually, Tariq was able to successfully source Juice Co. by meeting the owner in a social gathering at his uncle's house. The owner felt comfortable dealing with Amwal given Tariq's family's background and the respect he had for his father and uncle. Knowing that Tariq shares the same values was enough for Dr. Ali, the 50 year old founder and chairman of Juice Co. to trust Amwal, a difficulty that foreign PE firms face as a result of their heavy emphasis on legal agreements and rigid deal terms, vetted by their western based investment committees.

Going beyond establishing trust, there is a lot of education and awareness building on the value that PE firms bring to family businesses. Family business owners fear losing control of their company and have limited understanding of the value in partnering with a PE firm. Many of these family businesses are also industry leaders and do not require operational expertise, a common perception as the only value addition of an external partner. However, raising awareness about the value of strategic and financial guidance through Amwal's capable team, combined with its strong regional network of limited partners and creating liquidity events for the family are fundamental elements that helped Amwal succeed in this market.

PE firms have to adopt a flexible business model to address different family issues and business needs. For example, a buy-out model, common in mature markets, doesn't work well in Saudi. A majority stake buy-out risks losing the commitment of the management team who often times are the owners themselves. Amwal acknowledges that the managerial skills of the Family members and entrepreneurs are one of the cornerstones of the investment decisions, knowing the scarcity of the talent pool and more importantly the difficulty of finding industry experience.

Therefore, acquiring a significant minority stake allows for perfect alignment of interests between the PE firm and the owner. The former gets exposure to a growth industry through a leading company with a strong management team, while the latter gets the capital required to grow the business and partner with a strategic partner. Fadi says: "In a growth model, we buy into businesses where typically family members run the operational aspect of the business. We then work hand in hand with our partners by complementing their operational expertise with our contribution to governance, business development, and strategic insight. Businesses where we need to sideline the key family members running the operation are simply not attractive to Amwal."

Amwal Al Khaleej Background

Amwal AlKhaleej (Amwal or the Firm) is a regional private equity firm operating in the Middle East and North Africa (MENA) region. Founded in late 2004 by expert investment professionals and prominent investors as the first private equity firm based in Saudi Arabia, Amwal seeks to take advantage of attractive opportunities in the region across different sectors, primarily through growth capital investments. Today, the Firm has a distinctive team of highly qualified and indigenous investment professionals operating across three regional offices in Riyadh (Saudi Arabia, headquarters), Cairo (Egypt), and Dubai (UAE).

In addition, the team is supported by five Sponsoring Partners. The Sponsoring Partners comprise some of Saudi Arabia's most prominent business leaders and corporate conglomerates with a wide range of business activities across the region. While not involved in the day-to-day management of the Firm, the five sponsors provide credibility and extensive support to Amwal through their regional network and business expertise.

Amwal's Investment Strategy

The Firm's strategy is to invest in attractive growth capital opportunities in MENA across high-potential sectors that are driven by each country's underlying growth fundamentals. Amwal's focus on MENA is entirely consistent with its geographic presence and capabilities, and allows it to draw on its unique access and differentiated ability to generate proprietary deal flow.

The target geography offers rich investment opportunities in light of the region's sound fundamentals and promising growth trajectory, which is expected to continue to outperform many parts of the world. The region provides differing economic landscapes, thereby offering the Fund proper geographic diversification potential.

The Fund's investment strategy is sector agnostic, exploring the full spectrum of business activity within the MENA economies. Having a broad mandate allows the Firm to fully leverage its functional expertise across sectors as target companies in MENA can benefit greatly from strategic, financial, and governance enhancements. Within the region's high-potential sectors, Amwal seeks to invest in companies with a proven business model, strong management team, promising growth potential, and where the Fund can achieve value creation through active ownership and support (figure 3).

Within MENA's positive economic landscape, Amwal will prioritize sectors directly benefiting from the underlying growth drivers of the region, namely government investments, demographics, and economic reform. Specifically, expansionary government spending is expected to continue to fuel growth in the infrastructure, energy, and contracting sectors. Demographic growth and composition, on the other hand, is expected to drive demand in the consumer goods, education, healthcare, housing, and entertainment sectors. Finally, regulatory reform and privatization efforts are expected to generate new investment opportunities in the financial services, transportation, and telecommunication sectors (figure 4).

One of Amwal's most important sources of differentiation is its customized investment approach and ability to adapt to the region's business context and constraints. Specifically, the Firm primarily pursues minority-stake growth capital opportunities, an approach that has proven to be the most compatible with MENA's investment landscape.

Investing in growth capital opportunities allows Amwal to take full advantage of the region's strong macroeconomic context. Flexible stakes, on the other hand, enables the Firm to address MENA business owners' general reluctance to relinquish majority ownership over their family businesses due to considerations of family pride and control. Accordingly, a minority-stake deal structure with related minority protection rights and board representation requirements is an effective vehicle for gaining exposure to and influence over these family businesses while addressing business owners' desire to retain majority ownership.
Minority-stake deal structures are also more suitable in light of the region's scarce professional business talent. Within this context, Amwal recognizes that the value of established and proven businesses in the region lies in the know-how and experience of its founding shareholders and managers who are the same owners. Accordingly, Amwal's MENA-tailored investment approach aims to *buy into* rather than *buy out* target companies, and seeks to leverage and build on their managerial capabilities through strategic and financial support. Given the high degree of overlap between ownership and management at family-owned businesses, allowing current owner-managers to retain majority ownership is the most effective way to ensure their continued managerial commitment to the company's future success.

Finally, minority-stake structures allow for a higher degree of interest alignment between Amwal and potential sellers, and therefore enhance the prospects of a win-win outcome during deal negotiations. Specifically, business owners' continued financial exposure through majority ownership allows Amwal to shift the focus of negotiations from *current valuation* to *future value creation* possibilities, thereby allowing for attractive entry pricing and enhanced investment performance. The ability to convince sellers to trade off high valuations today for higher value prospects in the future is critical for successful deal execution as many business owners' price expectations remain elevated today in light of the recent history of soaring valuations in the region's public equity markets.

Company Overview

Juice Co (the Company) is a Saudi Company involved in the business of beverages and water production. 99% of the Company's sales are realized in the Middle East, with a meager 1% targeting the export market (Europe and Africa). The Company is also engaged in contract packing for major companies in the region. The company is known for its "value for money" positioned juices, with various flavors and sizes, targeting mostly the mass segment with few brand names of medium awareness, such as "Chief" and "Star". Its most known flavor is mango and its most selling packaging type is the carton pack. Juice Co. product sizes range from bottles of 150 ml (fastest selling size) to bottles of 1.5 liters. In addition, Juice Co. also sells its juice under co-packaging agreements with major supermarket chains in Saudi.

Dr. Ali, founder of Juice Co., is a traditional and conservative entrepreneur who had built this business alone ten years ago and took it from a small juice production factory to a fully automated and state of the art factory operating seven production lines. Today, he is seconded by a CEO whom he hired from outside his family and circle (very atypical in a Saudi family business context). Mr. Omar, the CEO, is a financier with over 10 years of experience in a government development fund, financing small and mid-sized companies within Saudi Arabia. He is also a mechanical engineer with a wealth of operational experience from prior years and had done a great job at Juice Co in controlling the manufacturing costs and managing the production process.

Juice Co started operations in 1998 with one production line, growing to six lines during 2007 and anticipated to add two to three additional lines in 2009. The Company grew from a team of 60 people with four distribution vans to 550 people and 100 sales trucks. In addition, it had seven branches across the main regions of Saudi Arabia and four agents appointed for distribution in other remote regions of the country. The Company was seeking to increase its product awareness among young people through annual contracts with major schools and institutions, and to further penetrate the supermarket and hypermarket chains by employing a trained sales force dedicated to this sales channel.

Juice Co's net income grew at a CAGR of 31% from SAR[1] 8 million to SAR 14 million over the period 2005-2007, and was projected to grow at a CAGR of 37% over the following three years to reach SAR 53 million by 2011 (according to management). Dr. Ali was confident about the market potential, as well as his company and product positioning. "These growing young segments want more of our juices, they just want more variety and we will provide them with what they need. I can deliver that growth if I deliver to them two products; the profitable PET 300 ml and 150 ml packs with new exotic flavors." The Company had SAR 14 million in total invested capital. However, total equity exceeded SAR 80 million in 2007 as all earnings to-

[1] 1 USD = 3.75 SAR

date have been retained to finance further expansions and no dividends have been distributed to the partners. The company additionally had SAR 58 million in debt (as of December 2007).

Industry overview

Among all GCC countries, Saudi Arabia is the largest soft drinks market as it accounts for 65% of the soft drinks production in the region, followed by the UAE which currently produces 18%, then Qatar with 2% of total soft drinks production. Water is the most commonly consumed drink in the region, and 60% of water sales is in bulk size particularly the 19 liter reusable bottle, where Nestle water is the market leader.

Total investment in the juice production industry in the Middle East amounted to nearly USD 2.0 billion with Saudi Arabia as the main producer despite the relatively expensive raw materials. According to EIU, total consumption per capita in Saudi Arabia is approximately 46 liters per year. It is expected that sales of the packed liquid juice will increase by 900 million liters yearly. The Saudi market comprises 38 juice factories producing 90% of the total consumer demand in the kingdom.

Main demand and supply drivers

Demand drivers		Supply drivers	
Demographics	Young and growing population (70% of Saudis are under the age of 30) provides a large and emerging consumer base	**Raw material**	Higher raw material costs such as, fruits, sugar, syrup, and packaging cost significantly impacts juice production
Geographic's	Desert weather enhances beverage consumption	**Geographic's**	harsh weather conditions and barren agricultural land in the Kingdom makes it hard to grown fruit and vegetables
GDP per capita	GDP per capita in KSA amounted to SR 56k, promises higher standards of living and increased purchasing power	**Seasonality**	During the summer and the month of Ramadan, companies increase production due to the higher demand

Investment Case

In light of the strong demand of its products and the fact that it was operating at full capacity, Juice Co was looking to raise capital in order to finance the addition of new production lines to its existing factory and improve its distribution network and reach.

The Saudi banking system has historically adopted very conservative and peculiar lending practices. The 11 retail Saudi banks typically adopt name and collateral based lending as opposed to cash flow based lending, which means that only large and well capitalized Saudi family conglomerates have access to bank facilities and credit. Not only is Dr. Ali not affiliated to any large powerful Saudi family, but similarly to many Saudi businessmen, Dr. Ali is averse to debt. He financed the majority of Juice Co's expansion through personal funds and retained earnings. Although he raised some debt in the past from the Shariah compliant government subsidized Industrial and Development Fund and given the company's capacity to finance its expansion through debt, Dr. Ali instead was looking to raise SAR 100 million in equity investment from a strategic investor that would not only provide capital to finance his well needed two production lines and distribution operations but also to assist strategically throughout the growth phase.

Amwal, through Tariq's introduction over dinner at his uncle's house, set up a meeting with the Company to introduce the other members of the team. Like any other transaction, the Amwal team was composed of three investment professionals, in this case, Fadi, Tariq, and Assaad.

During the meeting with the Company, the Amwal team visited the factory and heard from Dr. Ali and Mr. Omar about the Company's future expansion plans. The company was eyeing expansion in certain product categories, namely the PET segment (plastic bottles) which could command a higher pricing and higher margins as opposed to the carton boxes -the bulk of the business of the Juice Co- , which have lower margins and target price sensitive consumers. A capital increase at this stage, Dr. Ali confirmed, would help Juice Co. penetrate the PET segment and increase the overall capacity of the factory, which was already operating at 90% utilization, three shifts a day.

In addition to financing future expansion, Dr. Ali needed a partner that could help the company in its internal restructuring and prepare itself for a public listing in a few years. The value additions of Amwal were apparent to Dr. Ali not only because of its team experience in taking companies public and its corporate finance expertise but also because of Amwal's strong LP base that is composed of very prominent regional merchant names involved in the retail, distribution, and F&B sectors, just to mention a few. Having access to these names meant that Juice Co. would have access to a larger retail network and would be able to push its products to new retail spaces that it could not access before.

After the meeting, Fadi, Tariq, and Assaad went back to the office all agreeing that this could be a great opportunity for Amwal. It fits all the investment criteria of the fund. The company was very well positioned to capitalize on the strong demographics of the Kingdom targeting low income families in a country where the temperature is above 30°C almost 10 months of the year and where beverage consumption is the highest in the region. Furthermore, the Company was run by a strong management team and a committed founder who was passionate about his business. Moreover, this was a “cash-in” transaction in the sense that money to be deployed by Amwal was going into the company to finance the expansion as opposed to a “cash-out” transaction where a shareholder may be partially exiting and reducing his exposure to the business. In addition, the Company’s size was ideal for an exit through an IPO on the Saudi Tadawul Public Market. Based on management’s projections, the Company was expecting to achieve a net income of SAR 69 million in four years, exceeding the threshold size for listing on the exchange (advisable listing size is typically net income of SAR 40 million). Finally, Amwal trusted and respected Dr. Ali’s business ethics and integrity given his close relationship with Tariq’s uncle and screening his name through Amwal’s business network that have dealt with the company.

Dr. Ali also liked and trusted the Amwal team, making it very clear that Amwal was exactly the kind of partner he was looking for. The three-member board of Juice Co was composed of Dr. Ali, his partner, and the CEO. Any newcomer to this board had to understand the mentality of the partners, culture, and history of the firm. He emphasized the fact that the diversity of the high caliber and indigenous Amwal team with an international experience and understanding of the local culture would bring a wealth of experience and ideas to his existing board of directors and minimize any risk of a clash between an institutional investor and the company founders and management.

After a thorough commercial due diligence, the Amwal team came up with a few issues, namely the lack of a solid marketing executive within the company. The team was very pleased with the management’s ability to master the manufacturing process but was concerned about the Company’s marketing ability. The company did not have a clear marketing strategy and its products lacked brand equity and awareness within the mass segment. Building on his marketing background, Fadi recommended that a marketing position needed to be created and a clear marketing strategy needed to be outlined for the new intended product launches. “Producing juice is one thing and selling it is another,” Fadi mentioned. Even though the market for juice was showing strong growth fundamentals and the company had been historically selling all of its output, the creation of a brand name was critical in order to take the company to the next level. However, Amwal believed that working hand in hand with management, leveraging Amwal partner’s network, and a newly recruited marketing manager would address this matter. Amwal tested that with Dr. Ali and Mr. Omar, the CEO, who agreed with Amwal on the need of recruiting a marketing officer.

That being said, the one major hurdle that remained unsolved was the valuation. As one would expect, there was a large valuation gap between what Dr. Ali was asking for and what Amwal was willing to pay. This valuation gap that existed in the market during this period is attributable to the soaring capital markets trading at Price to Earnings (P/E) ratios of 20x and above. The comparables within the retail and manufacturing sectors were trading at a median P/E of 21x (figure 5).

P/E vs. EV/ EBITDA

It should be noted that the standard valuation metric that PE firms use in the MENA region is price-to-earnings as opposed to EV/EBITDA multiple. This is largely due to three considerations. First, leverage is used to a limited extent by most MENA companies. Second, corporate taxes are low and even non-existent under most jurisdictions. Third, and most importantly, many capital market regulators in MENA typically use P/E multiples to define an acceptable valuation range in the book building process for companies seeking to go public. As such, private equity funds and investment banks in the region most commonly use P/E multiples for valuation purposes, as this would give the most relevant indication of multiple expansion potential at IPO.

This has left private companies' owners with the belief that they could command similar prices for their companies, neglecting the fact that the markets were in the course of adjusting to more reasonable levels.

After taking the rest of the day thinking through the situation individually, the team reconvened with Ammar the next morning to try to come up with a proposal that would help bridge the existing valuation gap. Ammar reminded the team that whatever proposal they formed should not neglect Amwal's valuation guidelines centered on buying cheap companies, reflecting the long term market multiples in order to avoid the volatility that prevailed in the regional stock markets. This self imposed valuation discipline, he added, has allowed Amwal to mark-up its investments even in economic downturns. Across Amwal's 21 transactions, Amwal has always paid single digit P/E earnings (historical earnings) with an aggregate P/E of 9x for all of its transactions. Amwal's Investment Committee was used to the team's pricing discipline, and this has become a requirement for the Investment Committee (IC) to vet any transaction.

Tariq suggested that running some numbers that shows the Company's projected earnings over the intended holding period would help the team in the structuring exercise. Based on that, Assaad, the excel guru, built his spreadsheets, and factored in the effect of the expansion plan with two additional fully automated production lines. The model showed a significant jump in the projected earnings (as of December 2008) in the following three years once the revenue impact of the two lines would be fully factored in. The Company's earnings were expected to grow at a CAGR of 37% between 2008 and 2011 (figure 6). Dr. Ali's ask price was factoring in the growth in earnings, but as far as Amwal was concerned, this growth was a result of the capital injected by the fund and should not be incorporated in the price.

The Company was expecting a Net Income of SAR 21 million for the year ending December 2008. Up until the end of September 2008, the group had already achieved a net income of SAR 17 million for the first nine months of the year. The full year net income seemed achievable and reasonable to the team. Dr. Ali was initially asking for a **total pre-money equity value of SAR 330 million**, implying a P/E (based on 2008 earnings estimates) of 15.8x, but Amwal was confident that this price was open to negotiation and Dr. Ali would settle for a pre-money valuation of SAR 250-260 million, "but not a dime less", as hinted by Mr. Omar. However, even this low valuation was perceived by the team as being at the higher end, way above its P/E of 9x-10x historical threshold.

For the team, the reasonable valuation was around SAR 190 million, given the historical purchase P/E multiples of Amwal and the Company's current earnings level. Even though the valuation was based on forward earnings (the transaction was contemplated in September and purchase price was based on December 2008's Net Income), Amwal took comfort in Dr. Ali's approval of a potential valuation adjustment for any shortfall in expected earnings for 2008. Dr. Ali assured Ammar "I will guarantee you and indemnify you on the basis of at least a SAR 21 million of net income for this year…and I don't expect a higher valuation in case I beat that!"

The Amwal team typically simulates its returns assuming a 4-5 years holding period, and takes the view of its exits that long term public market listing P/E multiples would average 12x-14 x (trailing earnings). The team deemed that a SAR 250 million pre money entry valuation still implies an entry P/E of circa 12x, leaving little room for value creation through multiple expansion, something that Amwal had historically always been able to achieve considering its customized investment approach and minority model.

Following a meeting to discuss the earnings projections in the conference room, the Amwal team acknowledged that the challenge was to try to shift the mindset of Dr. Ali from focusing on the price today to the value of his company five years from now. It was obvious to everybody that no matter how you turn it, this was a great investment opportunity. A SAR 100 million equity investment is within Amwal's deal size sweet spot, the stake is sizeable with a 25%-35% equity stake in the company and an implied board representation; the asset is of a "listable" size on the lucrative Saudi public market, and is a good candidate for going public provided the proper governance is put in place; the industry is appealing and the company has a clear growth story; the management and partners have a proven track record and, with the addition of a qualified marketing executive should be well prepared for the challenges ahead. Building on that and based on the results of his financial model. Assaad suggested that "even by paying SAR 330 million, let alone SAR 250 million, this investment would still generate above average returns in line with our IRR targets provided we believe in his projections and assuming an IPO exit in line with our exit time horizons." Fadi insisted that "submitting such a valuation level to the IC was unacceptable and would be perceived as a diversion from our fund's valuation discipline and hence lead to systematic decline of the opportunity by the IC." Fadi added, "His projections seem aggressive; the question remains his ability to sell and market everything he manufactures; I care about downside protection in case he falls short of his projections mostly for the coming three years; I am willing to take a bet on the company and Dr. Ali, but not a blind one." Tariq jumped in to list the available options for Amwal, "We have three options: one is to try to convince the investment committee of the valuation commanded by Dr. Ali, but that is very unlikely. The second is to go back to Dr. Ali with our low balled valuation of SAR 190 million and a take or leave it offer, but I doubt this would work, and I am concerned that it may even be insulting. Third, we could come up with a creative structure to address both concerns." The team was also mindful that it could not incentivize the founder with stock options as these latter are not legally enforceable and their structuring is very tedious in Sharia based jurisdictions such as Saudi Arabia. After several brainstorming sessions, the team came up with a structure under which the seller would gradually get the valuation he initially was asking for upon achieving the earnings levels of his business plan's projections. This would ensure a downside protection for Amwal in case the company fails to achieve its stated projections while incentivizing management to meet/beat its projections in order to gain a higher valuation and hence attempt to bridge the valuation gap.

1) **What do you think the structure that the Amwal team came up with looked like? How will it be able to simultaneously address the valuation gap between Dr. Ali and Amwal, and how will it satisfy Amwal's investment committee low entry requirements? What is its impact on the IRR?**
2) **Aside from valuation, what other business and legal considerations do you think Amwal should look for given its investment strategy (minority growth capital strategy), the seller's character, and the local context?**

Figure 1: Amwal entry valuation

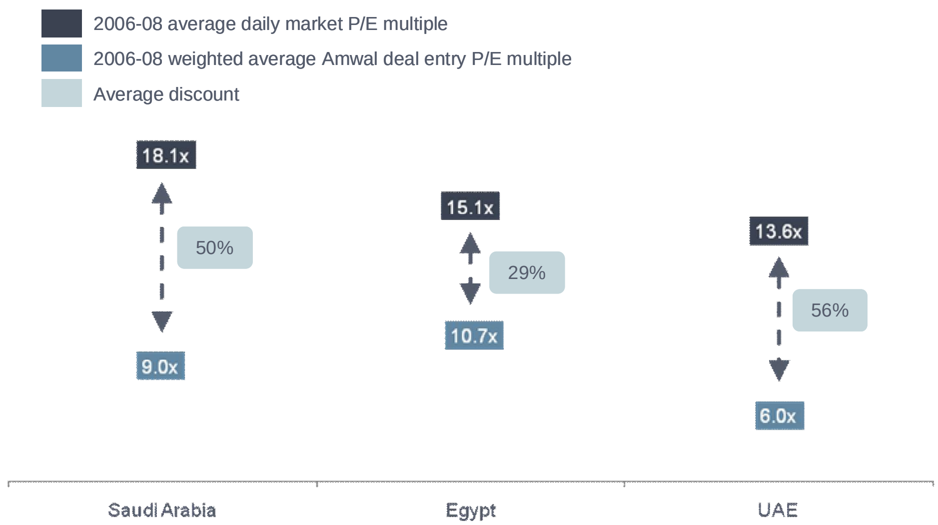

Figure 2: MENA Macroeconomic Highlights

Region	GDP 2008 (USD bn)	Share	Real growth 2003-08	GDP/capita 2008 (USD)
GCC	1,053	67%	7.1%	27,980
Saudi Arabia	469	30%	4.3%	18,898
U.A.E.	254	16%	10.0%	41,626
Kuwait	148	9%	7.5%	49,291
Qatar	100	6%	9.9%	69,321
Oman	60	4%	4.8%	22,614
Bahrain	22	1%	6.3%	20,639
North Africa	459	29%	4.8%	2,824
Algeria	170	11%	3.9%	4,959
Egypt	161	10%	5.4%	1,978
Morocco	86	5%	4.8%	2,707
Tunisia	41	3%	5.0%	4,065
Levant	51	3%	5.8%	4,988
Lebanon	30	2%	4.6%	7,233
Jordan	21	1%	6.9%	3,468
Total MENA	**1,563**	**100%**	**5.9%**	**7,539**

Figure 3: Amwal's Deal Selection Criteria

Business	Business model	▪ Profitable business model, based on a sustainable competitive advantage ▪ Leading market position
Business	Growth potential	▪ Growth platform: potential for organic or M&A expansion into new geographies, product lines, or value chain activities
People	Partner reputation	▪ Current business owners have an impeccable reputation of professionalism and ethics
People	Management capabilities	▪ Proven track record ▪ Relevant industry expertise
Value	Value creation potential	▪ Potential to enhance growth and profitability ▪ Compelling entry valuation
Value	Exit prospects	▪ A clear path to multiple exit opportunities ▪ At least one identified exit route (typically IPO) within a period of 4-5 years

Figure 4: MENA economic drivers

Countries	*Economic Drivers*	*Sector implications*

Saudi Arabia	▪ Demographics
	  − High growth young population
	  − Strong purchasing power
	▪ Government spending on vitals sectors
	▪ Strong reform program fostering progressive shift of economic activity from the public to the private sector
		▪ **Education**
		▪ **Healthcare**
		▪ **Consumer retail**
		▪ **Construction material & housing**

Egypt	▪ Demographics
	  − Rising income levels
	  − Increasing consumer demand
	▪ Low labor and feedstock costs
	▪ Gateway to Europe and transportation cost advantage
		▪ **Financial services**
		▪ **Manufacturing**
		▪ **Energy related**

Other GCC and Levant	▪ Government spending − Particularly in GCC; (e.g. Kuwait FY '10/'11 budgeted expenditures up 24% to USD 52B) ▪ Tourism and hubs for expatriates and multi-national firms	▪ **Oil & gas and related services** ▪ **Services**

Figure 5: Food and beverage publicly traded companies September 2008

	Close	Book value	EPS (SR)	Issued Shares (mn)	Market Cap	Shareholders Equity (mn)	Net Income (mn)	P/B Value	PE Ratio	ROE
SAVOLA Group	29	14.59	1.67	500	14,500	7,297	837	2.0x	17x	11%
Food	13.45	8.27	0.4	20	269	165	8	1.6x	33x	5%
SADAFCO	26.9	16.53	1.83	32.5	874	537	59	1.6x	15x	11%
Almarai	149	33.97	7.13	109	16,241	3,703	777	4.4x	21x	21%
Anaam Holding	36.5	11.08	1.66	10.9	398	121	18	3.3x	22x	15%
Halawani Brothers	23.1	10.83	1.19	28.571	660	310	34	2.1x	19x	11%
NADEC	33.4	18.65	1.58	60	2,004	1,119	95	1.8x	21x	8%

	P/B Value	PE Ratio	ROE
HIGH	4.4x	33x	21%
AVERAGE	2.4x	21x	12%
MEDIAN	2.0x	21x	11%
LOW	1.6x	15x	5%

Figure 6: Projected Net income

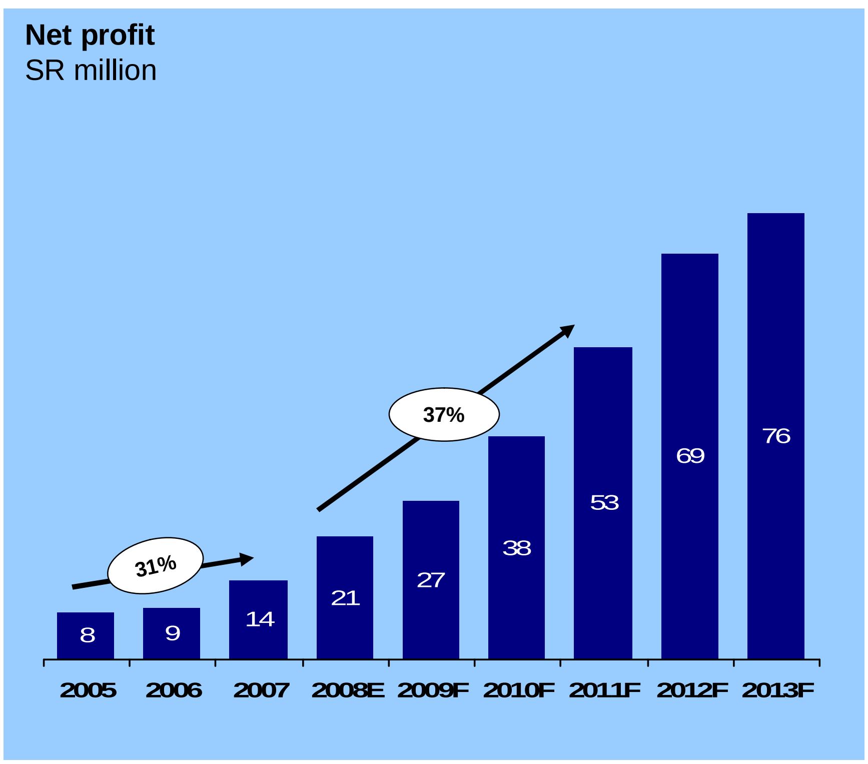

Figure 4: Juice Co. Historical Income Statement

Income Statement					
SAR '000	**2003**	**2004**	**2005**	**2006**	**2007**
Sales	67,185.0	83,184.0	113,868.0	144,906.0	190,623.0
Cost of Goods Sold	49,790.0	65,161.0	91,117.0	113,759.0	155,213.0
Gross Margin	**17,395.0**	**18,023.0**	**22,751.0**	**31,147.0**	**35,410.0**
SG&A	5,921.0	6,305.0	7,977.0	9,581.0	14,134.0
Salaries	2,348.0	3,238.0	3,610.0	4,731.0	4,147.0
Dep & Amortization	2,105.0	2,434.0	2,636.0	2,903.0	1,955.0
Others	470.0	(1,353.0)	(2,850.0)	(927.0)	(1,793.0)
EBIT	**6,551.0**	**7,399.0**	**11,378.0**	**14,859.0**	**16,967.0**
Finance Charges	0.0	1,599.0	3,183.0	5,653.0	2,783.0
EBT	**6,551.0**	**5,800.0**	**8,195.0**	**9,206.0**	**14,184.0**
Tax	528.0	226.0	276.0	408.0	546.0
Net Profit	**6,023.0**	**5,574.0**	**7,919.0**	**8,798.0**	**13,638.0**